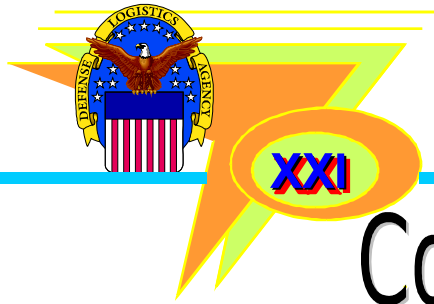# DRAFT
Contractor Risk Management Guidebook

Prepared by DCMC-OF / OG
March 1, 1999

BACKGROUND

- **APR 1997 DCMC TASK:**
  - **INTEGRATED SURVEILLANCE PLANS**
- **AUG 1998 TASKING MEMO 98-241:**
  - **15 Drafts (VTC, Commanders Conference)**
  - **TASKING MEMO 98-241 = 194 COMMENTS**
- **NOV 1998 CONTRACTOR RISK MANAGEMENT**
  - **PBAM AND SURVEILLANCE PLANS**

Target Date: March 1999

THE 5 W'S

Contractor Risk Management

WHY: UNIFORM POLICY AND METHODS TO DETERMINE THE EXTENT OF SURVEILLANCE AT A CONTRACTOR FACILITY

WHO: DCMC CAO MANAGEMENT, TAGS, OPERATIONS

WHEN: CONTRACT ADMINISTERED BY DCMC CAO

WHERE: EVERY CONTRACTOR FACILITY

WHAT: CONTRACTOR RISK MANAGEMENT TOOLS
- **PBAM USERS GUIDE**
- **SURVEILLANCE PLANS**

3

CRM TOOLS
MANAGEMENT TOOL

PERFORMANCE BASED ASSESSMENT MODEL USER

PBAM BASED ON TWO PRIMARY ELEMENTS:
- **INHERENT PRODUCT/PROCESS CHARACTERIST**
- **CONTRACTOR PERFORMANCE ATTRIBUTES**

MEASURES RISK IN THREE AREAS:
- **END PRODUCT PERFORMANCE**
- **SCHEDULE**
- **COST**

4

CRM TOOLS

MANAGEMENT TOOL

PERFORMANCE BASED ASSESSMENT MODEL USER

42 ELEMENTS RELATED:
- **PERFORMANCE**
- **SCHEDULE**
- **COST**

OUTPUT:
- **ROLL-UP CONTRACTOR RISK RATING**
- **RISK RATING APPLICABLE ELEMENTS**

ADJUST STAFFING

CRM TOOLS

OPERATIONS TOOL

FUNCTIONAL SURVEILLANCE PLANS

MEASURES RISK IN THREE AREAS:
  - **PERFORMANCE**
  - **SCHEDULE**
  - **COST**

PLANS BASED ON 15 CHAPTERS DLAD 5000.4
  - **SUPPORTS CONTRACT REQUIREMENTS**
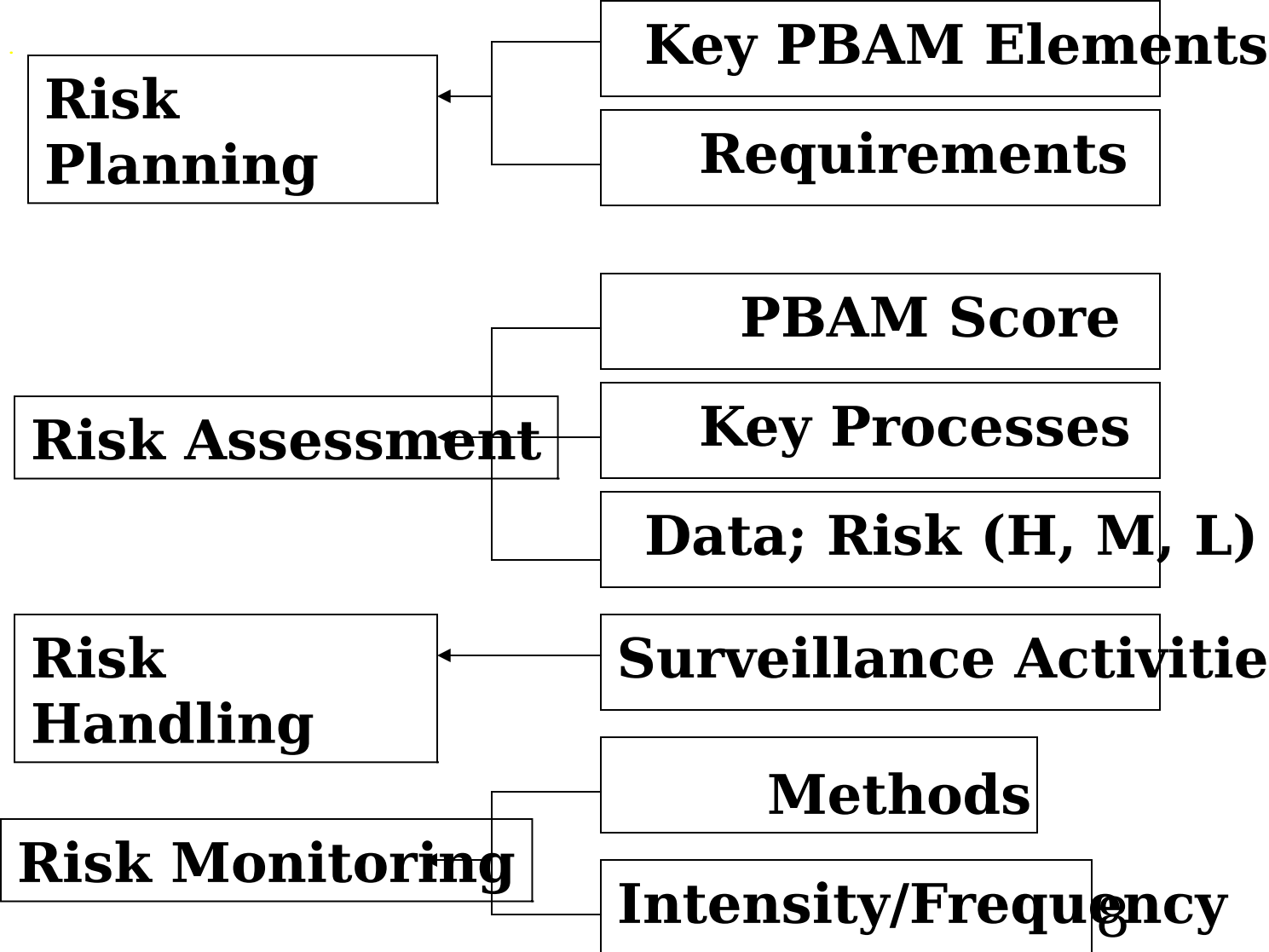
ADJUST SURVEILLANCE

CRM TOOLS
SURVEILLANCE PLANS

SOFTWARE CONFIGURATION MANAGEMENT

PRODUCTION MANAGEMENT

QUALITY ASSURANCE

INTEGRATED LOGISTICS SUPPORT

DELIVERABLE TECHNICAL DATA

PROGRESS PAYMENTS

PERFORMANCE PAYMENTS

PARTS CONTROL PROGRAM

PACKAGING

VALUE ENGINEERING

SPRDE

PROPERTY CONTROL

EVMS

TEST & EVALUATION

7

RISK MANAGEMENT

Risk Planning ← **Key PBAM Elements**

Requirements

Risk Assessment — **PBAM Score**

Key Processes

Data; Risk (H, M, L)

Risk Handling ← **Surveillance Activities**

Risk Monitoring — **Methods**

Intensity/Frequency

HIGHLIGHTS

- **MANAGEMENT / TAG - PBAM TOOL**
  - **CRITERIA IN PBAM GUIDE**
  - **USE RESULTS AS INPUT TO SURVEILLANCE F**

- **OPERATIONS - FUNCTIONAL SURVEILLANCE PI**
  - **ADDRESS EACH CONTRACTOR**
  - **USE RESULTS TO MAINTAIN PBAM RATINGS**

- **CAO SUPERVISORS - FUNCTIONAL SURVEILLAN**
  - **INTEGRATE SURVEILLANCE**
  - **EVALUATE EXECUTION**

9

HIGHLIGHTS

RISK PLANNING:
- **REVIEW CONTRACT REQUIREMENTS**
- **CUSTOMER GUIDANCE**
- **IDENTIFY SYSTEMS, Key Processes**

EXAMPLES:

Systems	Processes	Product
Property	Contract Review	Coatings
Configuration	Drawing Release	Sealin
Quality	Packaging	Final

HIGHLIGHTS

RISK ASSESSMENT:
- **ASSIGN RISK RATING TO KEY PROCESS**
  - **High, Moderate, Low (3, 2, 1)**
- **PPI AND PROBABILITY/ CONSEQUENCE**
  - **History plus impact**
- **DATA SUPPORTS DECISIONS**

RISK HANDLING:
- **DOCUMENT / EXECUTE SURVEILLANCE PLA**
  - **Contract / customer requirements**
  - **Identification of key processes**
  - **Classification of risk**
  - **Type of surveillance method**
  - **Data analysis / documentation**
  - **Adjustment of surveillance**

- **ADDRESS EACH CONTRACTOR WITHIN CAG**
  - **Maximum flexibility**

12

HIGHLIGHTS

RISK MONITORING:
- **Select surveillance method**
  - **Proofing high risk processes**
  - **Product audits**
  - **System evaluations /audits**
  - **Data Analysis Tools**

- **Include who is responsible / IPT members**

- **Intensity / frequency of activity**

13

HIGHLIGHTS

RISK MONITORING:
- **Expectation to mitigate risk**
  - **Vary surveillance activity tools**
  - **Increase / decrease frequency**
  - **Increase / decrease intensity**
  - **Alternate surveillance (CSO)**

- **Trend analysis of key process surveillance**
-
- **Trend analysis of product audits**

FUTURE

POSSIBILITIES:

- **PBAM RISK ASSESSMENT RATINGS**
  - **CAO MANAGEMENT DETERMINES SURVEILLANCE METHODS**

- **ADVANTAGES:**
  - **OPERATION TEAMS / FUNCTIONAL SPECIALISTS TARGET SURVEILLAN PLANS TO MITIGATE RISK**

15

Contractor Self-Oversight (CSO)

Alternative to direct DCMC oversight

Optional Tool

- Designated contractor reps do surveillance
- CAO, customers & contractor must agree
- DCMC-Contractor MOA
  - Schedule, reps, interaction, records, changes, withdrawal, expiration
- If CSO is used, surveillance plans must reflect
  - Which processes, surveillance tasks?
  - How the CAO will monitor

16